

Industrial Energy Efficiency Fund Program Guidelines

The Indiana Industrial Energy Efficiency Fund (IEEF) promotes and helps industry throughout Indiana by focusing economic development efforts on businesses and projects that will increase the efficient use of energy in their manufacturing operations.

The IEEF is administered by the Indiana Department of commerce's Energy& Recycling Office (ERO) and operates under the auspices of the Recycling and Energy Development Board (REDB). The REDB was authorized in 1990 to provide zero-interest loans to finance the purchase of energy efficient manufacturing equipment. The IEEF is coordinated with a wide variety of other economic development financing programs available through the state of Indiana. IEEF loans are available for the purchase of equipment or machinery employed for the purpose of manufacturing.

Eligibility

Eligible Applicants

Eligibility for this loan program is limited to manufacturers (SIC codes 20-39) that operate in the state of Indiana or will operate in the state as a result of this project.

Eligible Projects

All projects must occur in Indiana, be technically feasible for full-scale operation, and comply with all applicable environmental, safety and legal regulations. Commercially proven projects are preferred. Eligible projects are those that demonstrate measurable energy savings in Kwh, Btu or other units of measurement.

Eligible Use of Funds

Eligible costs include the purchase of specialized manufacturing equipment and machinery or the conversion of existing equipment and machinery used for the manufacture of products. Installations costs are usually not eligible. To be eligible for funding under the IEEF, the capital costs must be directly related to the eligible project and essential to accomplishing the objectives of the project.

Ineligible costs include but are not limited to:

1. Personal services, consulting fees and travel
2. Land and site improvements
3. Buildings
4. Licenses or permits
5. Legal costs
6. Working capital
7. Office equipment, including computers
8. Indirect or overhead expenses

Only costs incurred after the execution of the loan agreement are eligible for funding.

Program Objectives

Each project application will be evaluated in terms of the IEEF objectives. The REDB is particularly interested in projects that expand Indiana's industrial business base while increasing the efficient use of energy. Other points to be considered in determining whether to fund a project include:

- Project technical feasibility
- Project economic feasibility and applicant's ability to repay.
- Applicant's commitment to the project and ability to carry it out.
- Commitments for other elements of the financing packages. Loans will be closed only after written commitments from other funding sources have been received.
- Need for assistance. The applicant's need for the assistance requested will be evaluated in light of such factors as the size of the project in relation to income and assets of the company and the availability of financing from other sources.
- Ecological and environmental benefits of the project.
- Contribution to state economic development goals such as:
 - ◆ Job creation, job retraining and skills development
 - ◆ Capital investment in the state
 - ◆ Increasing the productivity and competitiveness of Indiana's workforce
 - ◆ Revitalizing distressed regions and communities
 - ◆ Improving the ability of Indiana's businesses to compete effectively in national and world markets

Loan Parameters

Loan Amount

The maximum loan available per applicant is \$250,000 or 50 percent of the total eligible project cost, whichever is less.

Private-Sector Investment

Loans will be made in conjunction with private-sector lending sources, equity from owners or investors or other private sources.

Loan Security

The REDB expects all applicants to bear the financial risk of the proposed project. All loan agreements must be secured with lien position of the asset being financed and company guarantee. In addition, personal guarantees and other collateral may be required.

Terms

Loan will have repayment period of no greater than seven years or the life of the asset, whichever is less. Repayment terms will depend on the particular characteristics of the project.

The state's share of any project cost is subject to availability of funds.

Evaluation Procedure

The Energy & Recycling Offices serves as staff for the REDB and will review each eligible project application that is received. Projects will be evaluated in terms of the program objectives. Final approval of project funding will be made by the Recycling and Energy Development Board. Only complete applications are eligible for financial assistance. Deficiencies in project applications will delay application review and could disqualify the project from the current review cycle. In addition to the required information, both the REDB and the ERO reserve the right to request additional information from the applicant that will further clarify any aspect of the project.

Loan Agreement

A decision by the REDB to fund a project is an agreement in principle and not a final commitment to expend funds. A formal contract that will establish the terms of the loan and other conditions needed to manage the loan must first be negotiated by the recipient and the ERO. The finalized contract then undergoes the state signatory process, which can take an additional six to eight weeks before a successful applicant can receive funding. Successful applicants must agree to provide financial statements pertaining to the project for which funding was provided. Moreover, successful applicants must agree to provide the ERO access to manufacturing facilities for which funding was provided.

Application Process

Application for financial assistance under the Industrial Energy Efficiency Fund involves three steps:

- ◆ Interested applicants must first submit a proposal letter (no longer than four pages) to the Indiana Department of commerce outlining the propose project. Proposal letters are due 12 weeks before REDB meetings and must include the following information:
 - Description and location of the project
 - Approximate amount of IEEF funding requested
 - Total project cost
 - Other sources of funding and applicant contribution
 - Equipment to be funded
 - Potential energy savings
- ◆ The ERO will review each proposal letter to ensure compliance with program guidelines and to determine if the project will be competitive for funding given available resources.
- ◆ If approved, the ERO will invite applicants to submit a formal application. Unsolicited applications will not be reviewed.

In order to assure adequate review time, deadlines for submitting applications occur approximately six weeks before each board meeting. Once an application has been thoroughly evaluated, the REDB must approve the project prior to funding. Board meetings are held four times each year, typically in February, May, August and November.